

Message Text

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COMMERCE (BEWT) - APLANIGAN (SUBS

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FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, RO

SUBJECT: CUMMINS ENGINE PROPOSAL TO ROMANIA

REF: BUCHAREST 1286

1. DEPTOFF SPOKE WITH BOLL TO RELAY CONTENTS REFTEL AND DETERMINE PRESENT STATUS CUMMINS NEGOTIATIONS WITH ROMANIA. BOLL AND CUMMINS TEAM WILL BE ARRIVING BUCHAREST APRIL 7 VIA TAROM 216 AND WOULD LIKE TO SPEAK WITH AMBASSADOR OR ECONOMIC OFFICER PRIOR TO SESSIONS APRIL 8. WILL CALL EMBASSY OR AMBASSADOR TO DETERMINE WHETHER MEETING POSSIBLE. SUGGEST LEAVE MESSAGE AT EMBASSY OR AT INTER-CONTINENTAL WHERE CUMMINS TEAM WILL BE STAYING. BOLL SUMMARY PRESENT STATUS FOLLOWS.

2. DURING VISIT TO COLUMBUS BY ROMANIAN GROUP THREE WEEKS AGO IT BECAME EVIDENT THAT JOINT VENTURE CONCEPT POSED PROBLEMS IN MANY AREAS INCLUDING SIZE OF DISCOUNT ON ENGINES SOLD TO CUMMINS AND ON SALARY AND FACILITIES FOR CUMMINS PERSONNEL EMPLOYED BY JOINT VENTURE. IT WAS LIMITED OFFICIAL USE

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DECIDED THEN TO ABANDON JOINT VENTURE CONCEPT AND NEGOTIATE

IN TERMS OF LOOSER TYPE OF ASSOCIATION.

3. UNDER PRESENT CONCEPT CUMMINS WOULD INVEST \$5 MILLION IN FORM OF NON-INTEREST BEARING LOAN. CUMMINS WOULD SUPPLY SAME TECHNOLOGY AS UNDER JOINT VENTURE PROPOSAL AND

WOULD BUY FROM ROMANIANS ENGINES AND COMPONENTS ENVISAGED IN PREVIOUS PROPOSAL. CUMMINS WOULD TAKE ITS PROFIT AND REPATRIATION OF LOAN IN FORM OF DISCOUNT ON PRICE OF ENGINES IT BUYS FROM ROMANIANS. ROMANIANS WOULD OWN AND OPERATE PLANT.

4. PROBLEM OF FUEL INJECTION SYSTEM AND TURBOCHARGERS HAS NOT BEEN RESOLVED. BOLL INDICATED CUMMINS MAY BE PREPARED TO SUPPLY TECHNOLOGY FOR ROMANIAN PRODUCTION OF THESE ITEMS EVENTUALLY, BUT IS NOT ABLE TO SUPPLY CAPABILITY FOR PRODUCTION IN EARLY STAGE OF PROJECT.

5. SINCE ROMANIAN TEAM RETURNED BUCHAREST AMBASSADOR BOGDAN INVITED J. IRVIN MILLER AND CUMMINS V-P HACKETT TO WASHINGTON FOR REVIEW OF PROJECT. BOLL VIEWED SESSION AS ROMANIAN PROBE OF CUMMINS POSITION PRIOR TO NEXT NEGOTIATIONS IN BUCHAREST.

6. BOLL POINTED OUT THAT CUMMINS APPROACHING TIME WHEN DECISION MUST BE MADE. ROMANIANS HAVE BEEN TOLD THAT CUMMINS MUST MAKE DECISION WITHIN 45 DAYS ON THIS PROJECT OR MAKE PLANS TO GO AHEAD WITH CAPACITY EXPANSION ELSEWHERE. RUSH

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